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August 31, 2012

Mrs. Jocelyn Boyd
Chief Clerk and Administrator
Public Service Commission of South Carolina
101 Executive Center Dr., Suite 100
Columbia, SC 29210

RE: Application Regarding the Acquisition of Progress Energy, Incorporated by Duke Energy Corporation and Merger of Progress Energy Carolinas, Incorporated and Duke Energy Carolinas, LLC
PSCSC Docket No. 2011-158-E

Dear Mrs. Boyd:

Enclosed for filing is correspondence from Jim Rogers to Chairman Wright, Vice Chairman Mitchell, and Commissioners reporting on merger integration related activities. By copy of this letter, we are serving the same on all parties of record and the South Carolina Office of Regulatory Staff. Should you have any questions, please contact me.

Yours very truly,

Timika Shafeek-Horton
Deputy General Counsel.

Enclosure

cc: C. Dukes Scott
Nanette Edwards
Courtney Edwards
All Parties of Record

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2011-158-E

In the Matter of:

)
)
Application Regarding the Acquisition of)
Progress Energy, Incorporated by Duke)
Energy Corporation and Merger of Progress)
Energy Carolinas, Incorporated and Duke)
Energy Carolinas, LLC)

CERTIFICATE OF SERVICE

This is to certify that I have caused to be served this 31th day of August 2012, correspondence from **Jim Rogers to Chairman Wright, Vice Chairman Mitchell, and Commissioners dated August 31, 2012**, in the foregoing matter by email and/or by placing a copy of same in the United States Mail, postage prepaid, in envelopes addressed as follows:

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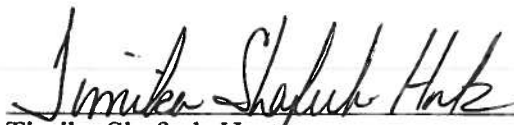
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Timika Shafeek-Horton
Deputy General Counsel



JAMES E. ROGERS
Chairman, President and CEO

August 31, 2012

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Vice Chairman Randy Mitchell
Commissioner John E. "Butch" Howard
Commissioner Elizabeth B. "Lib" Fleming
Commissioner G.O. O'Neal Hamilton
Commissioner Nikiya "Nikki" Hall
Commissioner Swain E. Whitfield
South Carolina Public Service Commission
101 Executive Center Drive, Suite 100
Columbia, S.C. 29210

Dear Chairman Wright, Vice Chairman Mitchell, and Commissioners:

This letter is to give you a brief update on some of the progress that Duke Energy is making with staffing and integration of the combined company two months after merger close.

Staffing

A top priority for us has been, and is, to complete staffing the organization as quickly and fairly as possible so we have the right talent in the combined organization, employees know where they stand, and we can focus on moving forward.

Prior to merger close, we named leaders in the first three tiers of management (about 375 leaders). There is a representative mix of leadership talent from both legacy companies. Of these leaders, 65 percent are from legacy Duke Energy and 35 percent from legacy Progress Energy, consistent with the overall composition of the workforce. Legacy Progress executives now lead two of the largest organizations—Customer Operations and Energy Supply—which account for more than 50 percent of the new Duke Energy's 29,000 employees. The nuclear organization leadership team is evenly comprised of leaders from both legacy companies.

Since merger close, we have filled three significant senior leadership roles with legacy Progress leaders, and have named approximately 300 individuals to leadership positions (roughly 60 percent from legacy Duke and 40 percent legacy Progress). We are on track to complete the entire staffing process in October. Several organizations are already fully staffed or nearly so. For example, the nuclear plants have essentially completed their staffing, and the Information Technology Department has finished. For many employees, particularly those at the power plants and in field operations, there will be little to no change.

Throughout the process, we are making extensive efforts to minimize the number of employees who must leave the company involuntarily.

- More than 1,100 employees chose to participate in the Voluntary Severance Program (VSP)—the program we offered last fall to address redundant positions, achieve our synergies and minimize the need for involuntary separations.
- Since the merger announcement in January 2011, 340 employees in the corporate functions have left the company for a variety of reasons, but this is within the range of expected attrition.
- About 130 employees throughout our service territories are relocating as a result of the merger—115 corporate positions (106 from legacy Progress Energy) will relocate to Charlotte. Typically, these employees have up to 12 months to relocate.
- Duke Energy's state headquarters for South Carolina remains in Greenville.
- As job selections continue, displaced employees may be considered for additional positions within their current organization or with other organizations in the company. Our goal is to provide affected employees with options whenever possible. In situations where we have exhausted these options, and an involuntary severance is unavoidable, we have put in place a severance plan that provides financial assistance for the transition.
- Through a combination of the VSP, resignations and unfilled positions, we still hope to minimize involuntary job losses.

Leadership and Employee Engagement

We have also placed a very high priority on aligning our company's leadership teams and reaching out to our employees to build trust and unity across the enterprise. Our senior executives are fanning out to visit facilities, including plants in South Carolina, and meet with employees to answer questions and listen to their issues. I have held two all-hands Open Forums with employees, as well as a series of informal dialogue sessions with small, cross-functional groups of Duke Energy leaders. I do a lot of listening and learning in all of these meetings, and we talk candidly about the challenges and opportunities in front of us.

Fuel and Joint Dispatch

We are on track to achieve the guaranteed \$650 million in fuel and joint-dispatch savings for our customers in the Carolinas. Since Day One, the joint dispatch has been up and running, power has been flowing across the two utility systems, and we are creating savings for customers every day. On a typical day, we are moving more than 1,000 megawatts between Duke Energy Carolinas and Progress Energy Carolinas. Every megawatt-hour that flows between these systems represents savings for our customers and progress toward meeting the joint-dispatch portion of the \$650 million savings guaranteed to the Carolinas customers.

This success results from outstanding teamwork among generation dispatch, the system operating centers, power trading, plant operators, information technology, finance, accounting and a host of others. All this is happening without sacrificing reliability during some of the hottest weather our systems have ever seen.

Some of the fuel savings initiatives were put in place before merger close, which yielded earlier savings. Additionally, about 65 percent of the promised fuel savings to the Carolinas customers is already under contract. We will provide detailed information in the next monthly fuel report. In addition, we have fulfilled all mitigation-sales obligations per our agreement with the Federal Energy Regulatory Commission.

Early Success with Storm Response

The Customer Operations Group used its combined scale to respond quickly and effectively to the severe storms that swept through the Midwest around the time of merger close. We were able to restore service to our affected customers sooner than other electric service providers in the region, and then we shared 750 people with three other Ohio utilities to help in their restoration efforts.

Nuclear Integration

Based on my observations, including during a visit to the Catawba Nuclear Station earlier this month, the nuclear organization is setting the pace in terms of integrating and "cross-pollinating" its leadership teams, positioning us well to leverage the wealth of nuclear expertise and experience we now enjoy. The top 75 leaders of the organization recently met for two days to focus on their key priorities, and I had the opportunity to join them for part of the meeting. They are organizing their integration initiatives so the initiatives can be implemented across the 12-unit nuclear fleet according to a "one team, one fleet, one operating model" plan.

Debt Issuance

We were encouraged by the market's response to our debt issuance on August 13, when Duke Energy Corporation priced a total of \$1.2 billion of bonds—comprised of \$700 million of 5-year and \$500 million of 10-year senior unsecured notes. The 5-year notes priced at a fixed-rate 1.625 percent, and the 10-year notes priced at a fixed-rate of 3.05 percent. Duke Energy achieved the lowest taxable 5-year coupon ever issued by the company, including its subsidiaries, and the lowest 10-year unsecured coupon ever issued by the company.

Planned Rollout of New Logo/Brand

The logo will make a "cameo" appearance to employees in September, which we hope will become a unifying symbol for us internally. The logo will be introduced to customers in the first quarter of 2013, with a rollout of the new logo and name-change occurring at the end of the first quarter and beginning of the second quarter. We are building in a significant customer education campaign as well as detailed training of our customer service representatives to ensure a smooth transition and avoid confusion.

Duke Energy's Board of Directors met earlier this week in its regularly scheduled strategy session. We had robust, positive discussions about the key issues before us. The Board, like the leadership team, is focused on moving forward and achieving the benefits of the combination for both customers and investors.

In summary, Duke Energy is off to a solid start in delivering on the promise of this merger. We are working hard to unite the organization so everyone in the company can be focused on our important mission and the work at hand.

We will continue to keep you informed as we go forward. Meanwhile, please let me know if you have any questions or comments.

Sincerely,

A handwritten signature in black ink that reads "James E. Rogers". The signature is written in a cursive, flowing style.

James E. Rogers

cc: C. Dukes Scott, Executive Director, Office of Regulatory Staff